

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

PERIODIC REPORTING
(PROPOSAL THREE)

Docket No. RM2017-7

PETITION OF THE UNITED STATES POSTAL SERVICE REQUESTING
INITIATION OF A PROCEEDING TO CONSIDER A PROPOSED CHANGE
IN ANALYTICAL PRINCIPLES (PROPOSAL THREE)
(June 22, 2017)

Pursuant to 39 C.F.R. § 3050.11, the Postal Service requests that the Commission initiate a proceeding to consider a proposal to change analytical principles relating to the Postal Service's periodic reports. The proposal, labeled Proposal Three, is discussed below, and in greater detail in the attached text and tables.

Proposal Three would only affect reporting for certain mail entered at contract postal units, by seeking authorization to change the methodology used for measuring the national totals of revenue, pieces, and weight in the RPW Report for mailpieces reported in the Retail Systems Software Business Partners (RSS BP) application and bearing contract postal unit metered postage. A census source of RSS BP mailpieces and extra services would replace corresponding ODIS-RPW statistical sampling estimates. If this request is approved, it will add another important census source to the

RPW reporting system.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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Proposal Three

PROPOSED CHANGE IN RPW METHODOLOGY FOR USE OF RSS BP DATA TO REPLACE ODIS-RPW STATISTICAL SAMPLING ESTIMATES

OBJECTIVE:

This request would affect reporting for certain mail entered at contract postal units, by seeking a change in the methodology in the RPW Report for measuring the national totals of revenue, pieces, and weight for mailpieces reported in the Retail Systems Software Business Partners (RSS BP) application and bearing contract postal unit metered postage. The proposed methodology would replace the Origin-Destination Information System — Revenue, Pieces, and Weight (ODIS-RPW) statistical sampling estimates of RSS BP mailpieces and extra services. If this request is approved, it will add another important census source to the RPW reporting system.

BACKGROUND:

Prior Filings Regarding Replacement of Statistical Sampling Estimates

The Postal Service has submitted numerous requests for the replacement of statistical estimates with census (system) data. Recent dockets include: RM2014-4 (Proposal One) for Self Service Kiosk and PostalOne!–related products of Merchandise Return Service and Business Reply Mail; RM2015-15 for Click-N-Ship census data; RM2016-1 for tying estimation methodology to known letter mail end-of-run counts, and RM2016-7 for introduction of additional census data for international outbound product RPW reporting. All of these filings have been approved by the Postal Regulatory Commission. See, Order No. 2101 (June 25, 2014), Order No. 2732 (September 28, 2015), Order No. 2901 (December 18, 2015), and Order No. 3377 (June 17, 2016).

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RSS BP Postage

RSS BP (which replaced the Contract Access Retail System or CARS) is the electronic point-of-sale management system that the Postal Service provides to contract postal units (CPUs). A CPU is a supplier-owned or supplier-leased site operated by the supplier, under contract to the Postal Service to provide postal products and services to the public at U.S. Postal Service prices. CPUs are housed within a supplier facility and are operated and managed by supplier employees.

Retailers that participate in the CPU program are provided Postal Service branding rights and signage. A build-out that meets Postal Service regulations is required. Suppliers are limited to selling only Postal Service products and services. Suppliers use RSS BP software to weigh, meter, and calculate postage for mailpieces and extra services. These transactions produce CPU-metered postage, which is applied to the mailpieces.

RPW Reporting of RSS BP Mailpieces and Extra Services

The current RPW methodology for measuring national totals of mailpieces and extra services is based on several census sources, in combination with statistical estimates from the ODIS-RPW probability sampling system. The census sources include PostalOne!, Point of Sale or POS, Self Service Kiosk or SSK, Click-N-Ship or CNS, and PC Postage vendor data for Negotiated Service Agreement (NSA) activity. ODIS-RPW is a probability-based mail sampling system used to support the Postal Service's many and varied business needs for mail revenue, volume, and weight. ODIS-

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RPW primarily supplies official RPW estimates for single-piece stamped and metered mail.

One of the ODIS-RPW mail characteristics recorded by Statistical Programs data collectors is the indicia, or source payment. Indicia types include, but are not limited to, stamps, permit imprint, and Information-Based Indicia (IBI). RSS BP systems produce postage with a two-dimensional IBI barcode and a CPU marking in the meter strip that CPU employees apply to mailpieces. ODIS-RPW data collectors record an RSS BP mailpiece as IBI and indicate that the piece is from a CPU. Other mail characteristics recorded by Statistical Programs data collectors include, but are not limited to, revenue, mail class, mail shape, mail markings, and extra services.

Limitations of the Current Methodology

Data collection is always challenging in the fast-moving timeframe around mail arrival to the post office, distribution to the carriers, and carrier pull-down for street delivery. Unintended errors could occur in sampling and recording.

In addition, ODIS-RPW is a statistical sampling system that produces point estimates with sampling error. Census information does not have sampling error. Using census transactional data reduces sampling error, and one would expect to have equal or improved data quality.

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PROPOSAL:

The proposed RPW methodology would switch from sample data provided by the ODIS-RPW sampling system of RSS BP mailpieces and extra services to corresponding census data provided by reports from the Retail Data Mart or RDM.¹

RATIONALE:

The proposed change in methodology provides a complete census source of transactional-level data of all RSS BP mailpieces and extra services. These data provide the revenue and volume characteristics needed for RPW reporting.

IMPACT:

As a measure of the impact of switching from ODIS-RPW statistical sampling estimates to census data, a comparison was made for the FY2016 time period. Table A shows the FY2016 changes at the RPW report level for each corresponding mail class. Shown are revenue, pieces, and pounds using the new census source ('proposed'), the ODIS-RPW or 'current' report totals, the differences, and the differences expressed as a percent change. The results in Table A show that, under the proposed methodology, reported CPU revenue for all mail classes would have increased 4.5 percent, volume would have increased 5.4 percent, and pounds would have increased 13.7 percent. (Note that the percentage differences presented in Table A, as well as in Table B described next, only relate to the impact on the relatively small subset of mail indicated to be entered at CPUs, not the mail or special services categories as a whole.)

¹ The Retail Data Mart is a reporting system relied upon by RPW. See, for example, Docket No. RM2015-15 for a discussion of its use in terms of Click-N-Ship reporting.

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Table B shows the FY2016 changes at the RPW report level for each corresponding extra service. Shown are revenue and pieces using the new census sources ('proposed'), the ODIS-RPW or 'current' report totals, the differences, and the differences expressed as a percent change. The results in Table B show that, under the proposed methodology, reported CPU revenue for all extra services would have increased 58.4 percent and volume would have increased 39.7 percent.

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Table A
Comparison of Proposed and Current Methodologies
Mail Classes (Excluding Revenue for Extra Services)
Contract Postal Unit (CPU) RSS BP Offices, FY 2016

Proposed		Activity (000)			Rv/Pc	Lb/Pc
Row	Class	Revenue	Pieces	Pounds		
[1]	First-Class Mail	\$19,004	9,285	2,169	\$2.05	0.23
[2]	Priority	\$72,914	7,294	18,574	\$10.00	2.55
[3]	Media Mail	\$2,899	797	1,977	\$3.64	2.48
[4]	Library Mail	\$156	44	117	\$3.56	2.68
[5]	Retail Ground	\$17,254	1,147	5,584	\$15.04	4.87
[6]	Grand Total	\$112,227	18,566	28,422	\$6.04	1.53

Current		Activity (000)			Rv/Pc	Lb/Pc
Row	Class	Revenue	Pieces	Pounds		
[7]	First-Class Mail	\$17,708	8,262	2,108	\$2.14	0.26
[8]	Priority	\$79,479	8,246	19,051	\$9.64	2.31
[9]	Media Mail	\$1,612	449	1,024	\$3.59	2.28
[10]	Library Mail	\$39	11	22	\$3.48	1.99
[11]	Retail Ground	\$8,516	645	2,784	\$13.20	4.32
[12]	Grand Total	\$107,354	17,613	24,989	\$6.10	1.42

Differences: Levels		Activity (000)		
Row	Class	Revenue	Pieces	Pounds
[13]	First-Class Mail	\$1,296	1,023	61
[14]	Priority	-\$6,565	-953	-477
[15]	Media Mail	\$1,287	348	953
[16]	Library Mail	\$117	33	95
[17]	Retail Ground	\$8,737	502	2,800
[18]	Grand Total	\$4,873	953	3,433

Differences: Percen		Activity (000)		
Row	Class	Revenue	Pieces	Pounds
[19]	First-Class Mail	7.3%	12.4%	2.9%
[20]	Priority	-8.3%	-11.6%	-2.5%
[21]	Media Mail	79.9%	77.5%	93.1%
[22]	Library Mail	301.0%	291.8%	426.2%
[23]	Retail Ground	102.6%	77.9%	100.6%
[24]	Grand Total	4.5%	5.4%	13.7%

Table B
Comparison of Proposed and Current Methodologies
Extra Services
Contract Postal Unit (CPU) RSS BP Offices, FY 2016

Proposed		Activity (000)			
Row	Extra Service	Revenue	Pieces	Rv/Pc	Lb/Pc
[1]	Insurance	\$1,451	285	\$5.09	0.00
[2]	Registered	\$140	7	\$18.91	0.00
[3]	Certified	\$4,851	1,436	\$3.38	0.00
[4]	Return Receipt, Retail	\$1,976	718	\$2.75	0.00
[5]	Return Receipt, Electronic	\$13	10	\$1.37	0.00
[6]	Restricted Delivery	\$38	4	\$9.22	0.00
[7]	Signature Confirmation	\$236	80	\$2.96	0.00
[8]	Grand Total	\$8,705	2,540	\$3.43	0.00

Current		Activity (000)			
Row	Extra Service	Revenue	Pieces	Rv/Pc	Lb/Pc
[9]	Insurance	\$547	253	\$2.16	0.00
[10]	Registered	\$9	1	\$11.81	0.00
[11]	Certified	\$3,224	955	\$3.38	0.00
[12]	Return Receipt, Retail	\$1,375	499	\$2.75	0.00
[13]	Return Receipt, Electronic	\$2	1	\$1.37	0.00
[14]	Restricted Delivery	\$59	12	\$4.97	0.00
[15]	Signature Confirmation	\$278	96	\$2.89	0.00
[16]	Grand Total	\$5,495	1,818	\$3.02	0.00

Differences: Levels		Activity (000)			
Row	Extra Service	Revenue	Pieces		
[17]	Insurance	\$904	32		
[18]	Registered	\$131	7		
[19]	Certified	\$1,627	481		
[20]	Return Receipt, Retail	\$600	219		
[21]	Return Receipt, Electronic	\$12	8		
[22]	Restricted Delivery	-\$21	-8		
[23]	Signature Confirmation	-\$42	-16		
[24]	Grand Total	\$3,210	722		

Differences: Percent		Activity (000)			
Row	Extra Service	Revenue	Pieces		
[25]	Insurance	165.4%	12.5%		
[26]	Registered	1456.5%	871.9%		
[27]	Certified	50.4%	50.3%		
[28]	Return Receipt, Retail	43.7%	43.8%		
[29]	Return Receipt, Electronic	622.3%	618.9%		
[30]	Restricted Delivery	-35.6%	-65.4%		
[31]	Signature Confirmation	-15.2%	-17.0%		
[32]	Grand Total	58.4%	39.7%		